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A RURAL CREDIT PROGRAM

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water loans



FARMERS HOME ADMINISTRATION
U.S. DEPARTMENT OF AGRICULTURE

soil and water loans

- Irrigation
- Farmstead Water
- Drainage
- Soil and Water Conservation
- Forestry
- Fish Farming
- Land Development

The Farmers Home Administration makes soil and water loans and provides technical management assistance to owners or operators of farms and ranches for developing, conserving, and making proper use of their land and water resources.

Applications from eligible veterans are given preference. All applications are processed without regard to race, color, creed or national origin.

How May Loan Funds Be Used?

Loans may be used to drill wells and otherwise improve water supply systems for irrigation, home use, and livestock; purchase

pumps, sprinkler systems, and other irrigation equipment; acquire a water supply or water right; purchase water stock or membership in an incorporated water user's association; construct and repair ponds and tanks, ditches, and canals for irrigation; dig ditches and install tile to drain farmland; develop ponds and water control structures for the production of fish under controlled conditions.

These loans may also be used to level land; carry out basic land treatment practices including liming, fertilizing, and seeding; subsoil or sod land; establish permanent pastures and farm forests; establish approved forestry practices on a farm such as pest control, thinning, and fire protection.

Funds may also be used to build dikes, terraces, waterways, and other erosion control structures.

In addition, loan funds may be used to obtain plans and pay fees for legal, engineering, and other technical services.

What Are The Terms And Interest Rate?

The interest rate is 5 percent per year on the unpaid principal. The maximum term is 40 years.

A borrower may make large payments in years of high income to build up a reserve that may keep the loan in good standing during years of low income.

Each borrower is expected to refinance the unpaid balance of the loan when able to

obtain such refinancing at reasonable rates and terms from other lenders.

Soil and water loan borrowers are required to maintain their property, and pay taxes and property insurance premiums when due.

Who May Borrow?

To be eligible, an applicant must:

1. *Be a farm operator or farmowner, a partnership that owns and operates a farm, or a domestic corporation engaged in farming.*
2. *Be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance his actual needs.*
3. *Be unable to finance the proposed project with his own resources.*
4. *Be of legal age.*
5. *Possess the character, industry, and ability to carry out the proposed operations.*
6. *Plan to improve a farm which will produce agricultural commodities in sufficient quantities for sale to be recognized in the community as a farm rather than a rural residence.*
7. *If the applicant is a tenant, have a satisfactory written lease for a sufficient period of time and under terms that will enable him to obtain reasonable returns on the improvements made with the loan.*

Who Determines Eligibility?

The county or area committee of the Farmers Home Administration determines the eligibility of applicants. The committee consists of three persons who know local farming and credit conditions.

If The Applicant Is Eligible, Then What?

The Farmers Home Administration county supervisor will assist the applicant in working out a farm and home plan to determine the soundness of the loan and the applicant's debt-paying ability.

If the applicant operates the farm himself, the plan will show the best use of land, labor, livestock, and equipment. This plan will be a guide for him and his family to follow in operating the farm. It will show the crops and livestock the borrower expects to produce for sale and home use; practices to follow in caring for land, crops, and livestock; proposed expenditures for livestock, equipment, and for running the farm and home; and the expected income and how it will be used. Before a loan is made it must be clear that the applicant will have enough income to meet farm operating and family living expenses and to repay the loan and other debts.

Is Management Assistance Available?

Soil and water loans are accompanied by technical advice to help borrowers make profitable use of land and water, labor, capital, and other resources that will be available to them. The county supervisor furnishes advice in keeping accurate records of expenses and income and in budgeting and otherwise making wise use of income and credit.

He also provides on-the-farm assistance with management problems during the first few years of the loan.

What Security Is Required?

Each loan will be adequately secured to protect the interest of the Government.

Usually, a loan will be secured by a real estate mortgage. In certain cases, a loan may be secured by a lien on chattels.

What Determines The Size Of Loan?

The loan may not exceed the market value of the farm and other security minus any debts against the property and may not exceed the amount certified by the county committee. An appraisal is made of the security property to determine its normal value.

In no case may the Farmers Home Administration loan plus other debts against the security property exceed \$100,000.

Does It Cost Anything To Apply For A Loan?

No. If a loan is made, however, the borrower pays for legal services necessary to establish a satisfactory title to the farm and pays the fees charged by local county governments for filing and recording the real estate or chattel security instrument.

What Other Loans Are Made By The Farmers Home Administration?

Loans may also be made to buy livestock and equipment and pay farm and home operating expenses; convert farms to outdoor recreational enterprises; build and improve rural homes and essential farm service buildings, provide rental housing; install rural water and waste disposal systems; purchase and develop farms, refinance debts; build housing for farm laborers; develop watersheds, and to meet emergency credit needs of farmers suffering from a natural disaster such as hail, flood, or drought.

How Do Farmers Home Administration Loans Aid In Rural Development?

These loans help farm families acquire the resources and skills they need to improve their operations, raise their standards of living, increase their incomes, and participate in new enterprises. This assistance in turn stimulates business activity in neighboring towns and, in general, helps the farm families and the communities of which they

are a part make an important contribution to the strength of the Nation's economy.

If A Farmer Is Not Eligible For A Loan, May He Obtain Financial Advice?

Yes. The county supervisor will do all that he can to help a farmer find a solution to his financial problems. Sometimes this may mean helping the farmer and his creditors work out a repayment schedule that is more in line with the farmer's repayment ability.

Sometimes it may mean a close analysis of just how much a farmer can afford to borrow and information on other sources of credit.

Where Does One Apply For A Loan?

Apply at the county Farmers Home Administration office serving the area in which you expect to carry out your operations.

Find the location in your telephone directory under "U. S. Government," or write the Farmers Home Administration, U. S. Department of Agriculture, Washington, D. C. 20250.

PROGRAM AID NO. 972

Revised July 1973